

APPROVED FOR  
RELEASE  
DATE: APR 2007

(b) (1)  
(b) (3)

~~Secret~~

TIER  
1/19



*Directorate of Intelligence*



# *Economic Intelligence Weekly*

CIADI EW 00-002

*15 January 2000*



~~Secret~~

DI EIW 00-002  
15 January 2000

Copy 0271

~~Secret~~

---

## Contents

*Pages*

Azerbaijan: Examining Alternatives to TCP	

4

~~Secret~~  
15 January 2000

---

~~Secret~~

### Competitors for Turkish Gas Market



DI Current Production Center 752045AI (R02024) 1-00

~~Secret~~

15 January 2000

## Azerbaijan: Examining Alternatives to TCP [ ]

A senior Azerbaijani energy official last week told [ ] he will propose building a new pipeline to export gas to Turkey by 2002, which could set back the US-supported trans-Caspian gas pipeline (TCP). Valeh Aleskerov, Director of Foreign Investment for the Azerbaijani energy firm Socar, said that companies developing the newly discovered Shah Deniz gasfield are discussing gas sales to Iran, which would allow Iran to increase planned gas exports to Turkey.

- Aleskerov claimed preliminary test results show that Shah Deniz could contain as much as 1.5 trillion cubic meters of gas.
- Western oil industry estimates put Shah Deniz reserves at a more conservative 400-700 billion cubic meters of gas, still enough to support an export project. [ ]

*President Aliyev has given no indication that he has withdrawn his support of the TCP, but Aleskerov plays a pivotal role in negotiating every important energy project involving Azerbaijan.*

Aleskerov said the companies developing the Shah Deniz gasfield are considering an Iranian export route because that would be the quickest way to move gas to Turkey. Aleskerov told [ ] [ ] Iran is willing to buy more than 8 billion cubic meters per year (bcm/y) of Azerbaijani gas for reexport to Turkey and for domestic use in northern Iran.

- Iran's northern pipeline system has been expanded sufficiently to transport Azerbaijani gas to Turkey and the newly completed pipeline from Tabriz to Turkey has enough excess capacity to deliver more than 8 bcm/y.

[ ]

Aleskerov's preference for a pipeline from Azerbaijan to Turkey reflects frustration with Ashgabat over the terms offered Baku in the TCP proposal. Turkmenistan and Azerbaijan are far apart on the amount of Azerbaijan's gas that the TCP would accommodate.

- Aleskerov also dismissed the Host Government Agreement (HGA) proposed by the PSG-Shell consortium charged with implementing the TCP project—which must be ratified for the TCP to advance—saying it burdens Azerbaijan with obligations while offering no benefits.
- Aleskerov claims the proposal obligates Azerbaijan to provide whatever equipment is required by PSG-Shell, even though he had told PSG-Shell that no Azerbaijani pipe-laying barges would be available because of prior commitments. [ ]

Aleskerov may calculate that movement toward a gas deal between Azerbaijan and Turkey might spur Turkmenistan to offer Baku better terms and could induce PSG-Shell to alter the proposed HGA to meet Baku's requirements. If Baku proceeds with its own pipeline project, Turkmenistan's only alternative will be to export gas through Iran.

[ ]